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May 2007

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VITAL INFO

■ Tennessee was ranked 15th for business tax friendliness by the Tax Foundation in 2005; and was also ranked as the 15th friendliest state for small business by the Small Business & Entrepreneurship Council the same year.

■ Tennessee's General Assembly historically has demonstrated an overriding philosophy that favors business and development. The state constitution requires the state to operate on a balanced budget.

■ A Tennessee location puts corporations within a day's drive of 75 percent of the major U.S. markets.

■ Tennessee is home to more than 200 *Fortune* 500 companies.

■ Tennessee allows a tax credit of \$2,000 or \$4,500, in economically distressed counties, per new job, against the franchise and excise tax liability for qualified businesses, based on a minimum of 25 jobs and a \$500,000 capital investment.

TENNESSEE CARRIES OUT ITS NEXT STEPS

>> Tennessee Gov. Phil Bredesen is focusing on the state's workforce and the education system in his second term as governor, adding to and continuing activities accomplished in his first term. His Next Steps initiative features several distinct areas.

One new proposal would include a free community college education to Tennessee students that score a 19 or better on their ACTs. Today, most companies require employees to have earned a two-year certificate from a college or technical institute. The proposal would assist students in meeting these requirements, as well as enhancing the skill level and the attractiveness of the Tennessee workforce.

"What we are doing today is to recruit the companies and support those in our state that have the ability to sustain themselves during the next 20 years," says Matt Kisber, commissioner, Tennessee Department of Economic & Community Development. "We are attempting to maintain stable economic development activity in a dynamic and changing economy. We have distinct strategies in broad areas to help us grow in a comprehensive manner."

Kisber says economic development officials are able to grow the economy by fully understanding the diverse base of industries in the state, which include auto, food processing, durable goods manufacturing and consumer discretionary items.

"We are also assisting small businesses with growth, in part by getting them to interact and do business with Tennessee's larger businesses," Kisber says. Through the Business Enterprise Resource Office, the state has held matchmaking events during the last

two years, where hundreds of contracts have been signed between large businesses and small businesses in the state. The office assists small, minority owned and women-owned businesses through a number of different programs.

Entrepreneurial efforts will receive a boost with the soon to be launched \$5 million program called Innovation Tennessee, which is designed to help build the entrepreneurial capacity of the state. The first phase of the program will assist entrepreneurs who are applying for SBIR grants from the federal government with up to \$4,000 to help pay for the cost of preparing the grant.

The second phase of Innovation Tennessee would offer a small number of larger grants that would match SBIR grant dollars to foster the commercialization of research that is taking place in the state.

Earlier this year, Tennessee officials implemented a micro loan program to fund small businesses in the state's rural areas, Kisber says. The loans are as small as \$5,000. "We have seen companies that have contracts to do business but can't find the financing to procure equipment," he says. "So this grant assists small firms with first step financing to help them grow into larger businesses."

In regard to upcoming legislation to support corporate investments, as of this writing, Kisber's office was working with the state's department of revenue to review the state's incentive package. The goal is to ensure existing incentives are competitive, as well as reviewing enhancements that could be initiated.

Past efforts enacted by Gov. Bredesen include workers' compensation

insurance reforms, and the tweaking of state incentive programs. "We have a wonderful quality of life in this state, which has attracted a number of high profile projects, including 28 corporate headquarters that have moved to Tennessee," Kisber says. "We want to leverage that to other industries and opportunities across the state."

INDUSTRIES

Tennessee is well suited to support several industries, including manufacturing, headquarters operations, distribution centers and selected service industries. These sectors were mentioned in an economic growth report for the state, released in 2006.

Last fall, ServiceMaster announced it would relocate its corporate headquarters from Downers Grove, Ill., to Memphis. The company will transition 150 employees from Illinois, and is expected to create several hundred additional jobs in Tennessee during the next five years.

ServiceMaster, best known for its household cleaning products and services, already employed 2,000 people in the state.

Recent headquarters projects in Tennessee include the relocation of Nissan North America from California to Franklin. The move created 1,300 new jobs in the state. International Paper located its corporate headquarters to Memphis. Caremark and Louisiana-Pacific have selected Nashville for their corporate headquarters functions.

In the manufacturing sector, last fall, Oreck Corp. selected a 310,000-square-foot facility in Cookeville to serve as its new manufacturing facility. The company will create 100 new jobs, consisting primarily of assembly, skilled trades and professional positions. Company officials say the cleaning equipment company selected Cookeville for its workforce, quality of life for the employees, and for its favorable distribution location, as

well as the commitment by state and local leaders to grow businesses.

Logistics and distribution activities continue to thrive in Tennessee, which is home to the world's busiest cargo airport, located in Memphis. The city is ranked first in the nation for its percentage of logistics workforce, and third in Class I railroad services. The city is also home to the third-busiest trucking corridor, the fourth-largest inland port, the central hub for FedEx, and a major hub for Northwest Airlines.

Other state assets include six Foreign Trade Zones, located in Chattanooga, Knoxville, Memphis, Nashville, and at the Tri-Cities Regional Airport.

On a local level, distribution operations do well in Carroll County, which is located halfway between Nashville and Memphis. The county offers a strategic location for auto suppliers.

In regard to emerging industries in Carroll County, call centers find the

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MONROE COUNTY ECONOMIC DEVELOPMENT

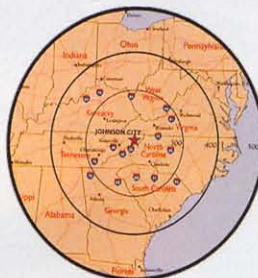
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area is attractive. Home to two call centers, the county will add another operation in early 2008, when the construction of a new career center is completed. A 20-person call center will be based in the center.

"This industry has found a trainable and dedicated workforce here," says Brad Hurley, president, Carroll County Chamber of Commerce. "We

are only one of three counties in west Tennessee to have a four-year institution and a post-secondary technology center in our county. We are able to offer the latest workforce training opportunities to enhance skills."

WORKFORCE AND EDUCATION

Kisber says Tennessee's workforce continues to be a leading draw for

businesses looking to conduct business in the state. He says companies tell economic development officials that what attracted them to the state were the skill levels and work ethics of the workforce.

"The Tennessee economy is prepared for the next 20 years," Kisber says. "By focusing on quality companies that need skilled workforces we are ensuring that we keep those companies here for the long haul."

And state officials continue to ensure the workforce maintains its readiness. Kisber has undertaken a complete review of the FastTrack Job Training Assistance Program and will implement changes to make the program more meaningful and responsive by removing barriers that exist. The changes will be implemented by June 30.

At the post-secondary level, the first Tennessee Governor's Academy for Mathematics and Science will open this fall in Knoxville, at the Tennessee School for the Deaf, where up to 24 high school students from across the state will study. The academy is located near the University of Tennessee and Oak Ridge National Laboratory. Students will get to work with scientists at both organizations.

In the summer breaks, the academy is expected to be used as a learning lab for the state's science and math teachers.

The Oak Ridge/Knoxville region is an integral part of the state's high-tech cluster. It is home to more than 1,000 such companies, 45,000 tech workers, 3,500 Ph.D.s, and more than 15,000 college students that are majoring in information technology, science, math or engineering.

BUSINESS CLIMATE

In regard to shovel-ready inventory, Tennessee features a comprehensive listing of available sites and facilities online at www.tennesseeprospector.com. At the local level, Carroll County has three shovel-ready sites that were reviewed by a third party. Hurley says each of the sites features a minimum of 100 available acres. One park is located adjacent to the Carroll County Airport, which features a 5,500-foot runway.

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Hurley wants corporations to understand that Carroll County officials will ensure corporations are accessing all of the incentives and opportunities that are available to them, such as state and federal programs, and local programs such as payment-in-lieu-of-taxes programming.

This pro-business attitude starts at the top as Tennessee's officials are committed to funding their communities in achieving economic growth. The governor has proposed during the next four years doubling the investment in the FastTrack Infrastructure Development Program by using a portion of this increase to help rural communities compete. The current program allows the state to work with communities that have projects in hand by funding infrastructure to support the projects.

"The proposal would allow communities that have demonstrated they have the pieces in place, to use a portion of the new dollars to put infrastructure in place so that it becomes a turnkey opportunity to market to a prospective company," Kisber says.

Tennessee also has nearly \$250,000 to stimulate initiatives that have been developed by communities to address their opportunities. Under the Three-Star Program, 87 communities have earned this designation by developing five-year strategic plans. "And, for the first time, we have set aside meaningful dollars to stimulate the implementation of the plans by offering innovation grants, which are awarded on a competitive basis."

In regard to supporting innovative industries, in February, the governor made \$3.5 million available to support three alternative fuel grant and loan programs. The categories include Feedstock Processing Demonstration Loans; Alternative Fuel Innovation Grants; and the Biofuel Green Island Corridor Grant Project.

The announcement came a day after the governor announced that his proposed budget for 2007-2008 will include \$61 million for a comprehensive alternative fuels strategy to position the state as the nation's leader in the production of biomass ethanol and related research.

Combined with \$11.6 million in

existing funding for an ongoing related project at Oak Ridge National Laboratory, the proposal represents a \$72.6 million plan.

Initiatives such as these put in place by Tennessee officials, as well as focusing on educating and training the workforce, should allow corporations to thrive in the next 20 years, and beyond. ☒

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